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Forum: Universal Basic Income

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Historicizing Basic Income: Response to David Zeglen

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ABSTRACT This piece argues that Basic Income is, and has never been, a simple "common sense" or "spontaneous" idea for those who want to struggle against poverty. In fact, it is the product of a profound shift in how we thought about the social question since the late 19th century. A shift that, by the mid-sixties, made cash transfers and the price system the main tool when thinking about redistribution against collective provision or more state-centered approaches.

In his [introduction to the UBI Forum](#), [Dave Zeglen](#) argues that basic income should not be understood as an "irrational demand." Instead he casts it as a "common sense" response to capitalist excess. Rather than an instance of "false consciousness," basic income is therefore an "empirical and limited" recognition of a reality not imposed from "above" but coming directly from "below"—a natural plight for the downtrodden. [Zeglen](#) makes a convincing case that the Left should not overlook the laudable impulses implicit in basic income demands but rather "insert them directly into progressive political narratives."¹

Strategically, there is little one could object to in this view. It is indeed the case that basic income is not an "irrational" demand or a "false consciousness." However, basic income's political content is not as obvious as Zeglen suggests, and certainly is far from a "common sense" idea coming from below. Stating this overlooks the entire intellectual history of the idea and how the proposal only turned into "common sense" after conceptions of work, poverty, social justice, redistribution, or the state underwent some dramatic changes. The basic income is therefore only "irrational" in hindsight. Or, our contemporary idea of a basic income—a continuous, discretionary grant uncoupled from any prior performance of labour—would certainly look extremely strange (one could say "irrational") for any worker or thinker in the nineteenth century. In fact, its contemporary form was designed to respond to problems that were radically different to those discussed by Thomas Paine, who put forward his own "land grant" in the 1790s, or the socialist economist Oskar Lange, who was one of the first to argue for a "social dividend" in the 1930s.²

There are some potential losses here. If we lose sight of the radical novelty of the idea—constituted, as it was, as a response to the decline of the centrality of work and of the postwar welfare state—we may easily fall into an empty transhistorical celebration. To put it differently, prior to Milton Friedman, almost nobody promoted a society where the alternative to full employment would be the maintenance of "workless" subjects through the transfer of a social dividend or basic income. Oskar Lange, Abba P. Lerner, or G. D. H. Cole's versions of a "guaranteed income" remained strongly tied to full employment schemes and never really even operated with a society where people would receive payments without working as a proviso.³ This simply didn't make sense to them. Moreover, such proposals were conceived in a society where the means of production had already been socialized. The same held for more right-leaning versions. Even Juliet Rhys-

Williams's first version of the idea was, as observed by Peter Sloman, always accompanied by a strong conditional clause, in which workers would sign a "social contract" where they committed themselves to participate in the labor market.⁴ Only with Friedman did these work requirements and their contractual dimension disappear.

In that perspective, basic income certainly is not a spontaneous response coming from below, but rather the crowbar to break open a new dominant anti-poverty framework in a society where access to the market and to income has become the prime modality to reproduce oneself. The question we should rather ask is the following: *how* exactly did we come to think about social justice in those terms?

A crucial turning point was the 1930s. This period saw the slow downfall of the discipline of welfare economics and the discrediting of the state as a collective decision-maker in economic thought. This was also a moment when poverty was increasingly conceptualized in terms of "income deficiency" rather than positions vis-à-vis a market set-up. It was also a time in which economists would increasingly cast the price system, rather than the state, as the privileged apparatus to allocate goods in society. This was a stark break, even with previous liberal reflexes. In spite of their internal differences, economists like Arthur C. Pigou, Alfred Marshall, or Richard H. Tawney indeed generally tied the question of equality to a criticism of the dominant role the market had taken in society as a whole.⁵

The discrediting of nineteenth-century liberalism was profound and shaped an understanding of equality embedded within the larger ideal of a post "laissez-faire" society. Where the market had failed to guarantee the material reproduction of the population, it was now up to the state to act by instituting ambitious programs of public housing, rent control, public service, or collective provision concerning health care, education, food, or even leisure. As Tawney argued in his well-known 1931 book *Equality*, the best strategy on the matter did not consist on "the division of the nation's income into eleven million fragments, to be distributed, without further ado, like cake at a school treat, among its eleven million families" but rather, through "the pooling of its surplus resources by means of taxation, and the use of the funds thus obtained to make accessible to all, irrespective of their income, occupation, or social position, the conditions of civilization which, in the absence of such measures, can be enjoyed only by the rich."⁶ To Tawney this meant that a "just" society could not be limited to the simple redistribution of income but would also create democratic institutions capable of countering what Beveridge came to call the five "giants" ("Want, Squalor, Idleness, Ignorance and Disease").

This was a stark break with prior poor relief methods as well. In contrast to the nineteenth-century poor relief systems, the new categorical order had the important feature of being organized *against* the market rather than operating on its margins. Tawney's commitment to equality, for instance, was strongly embedded within a more general framework stipulating "social rights" and citizenship, rather than through the narrow lens of income distribution.

This conception remained dominant at least until the early 1960s. As the decade crept to an end, however, and the West's "persistent poverty problem" did not seem to wane, policy makers progressively placed the preservation of the price system at the center of any redistributive project. This increasing concern for the price mechanism had older roots, of course. It partially emerged out the "socialist calculation" debates of the 1930s and the downfall of "welfare economics" of the interwar period, which already severely affected the theoretical standing of the state as the ultimate collective decision-maker.⁷ During the 1940s, cash transfers then began to gain traction as a more suitable alternative to collective provision options and heavy-handed state interventions imposed on the market. By the 1950s, finally, a vast majority of neoclassical economists became

convinced that the price system was more efficient than collective provision. The physical planning that had gained traction during war time now rapidly lost coinage in favor of a conception of equality conceived exclusively through cash transfers.

This was precisely the aim of Milton Friedman's Negative Income Tax (NIT), which imagined how to establish "minimum standards by means not inimical to initiative and the functioning of the market."⁸ Be it housing, minimum wage, or social security, Friedman always opposed what he saw as possible distortion of the market. In his view, all New Deal policies were directed "against the symptoms," but "the real problem" was "poverty" as such, not the market itself.⁹ This argument had a trenchant effect, since it basically turned common sense understandings of poverty on their head. While policy makers had become accustomed to the idea that poverty was a symptom of low wages, bad housing, and/or precarious work, Friedman had to argue that it was in fact the other way around. As he wrote in an exchange with the Keynesian economist Don Patinkin, "the social costs that are ordinarily attributed to poor housing are really the social costs of poverty." "What they justify," he continued, "is a program of establishing a minimum income and seeking to eliminate at least certain kinds of poverty."¹⁰ The aim would thus become to always rely on "the price system for distribution of goods" and, if society was indeed confronted with undesirable outcomes, "achieve changes in the distribution of income by general measures superimposed on the price system."¹¹

The general pay-off of this plan was not so much the extent to which policy-makers were to advocate equality or not (at that time even Friedman saw himself as a nominal "egalitarian") but the *means* deployed to reach this egalitarian aim. For Friedman and an increasing number of economists of his generation, reliance on the price system through the promotion of cash transfers had become an indispensable aspect of any ambitious policy agenda. Within this framework, the attraction exerted by the NIT is not unsurprising. As Friedman himself argued, the program was not only "directed specifically at the problem of poverty" but "while operating through the market," it did "not distort the market or impede its functioning" as Keynesian programs had done before.¹² The fresh line of "poverty" under which a citizen was to receive the NIT, one could say, operated *under* rather than *within* the market, preserving the price system and its impersonal powers of coercion, shedding the regulatory categories of the post-war welfare state.

By the mid-1960s—in tandem with the spectacular outbreak of the "poverty-issue" both in the United States and in Europe—a conception of social justice focused exclusively on cash transfers had gained predominance. Analogous to this rise of poverty *sans phrase* as a targeted concern for policy makers, however, criticisms of the market system progressively disappeared as an inherent part of our vision of social justice. The focus on the establishment of a "floor" under which nobody was to fall naturally sidelined discussion of building ceilings and the reduction of market dependency. Guaranteed Income proposals or Negative Income Tax programs became widely renowned among policy-makers and parties across the spectrum as an elegant way of articulating egalitarian considerations without assenting to large macroeconomic interventionism and intricate welfare schemes. In such an optic, the quick and enthusiastic diffusion in international institutions of the scheme first devised by Friedman during the 1970s was also the product of a conception of social justice that had undergone severe changes. The very foundation of "how" the West thought out these conceptions had been affected.

This prehistory also helps to explain a lot of contemporary UBI-activity. When we read history backward, for instance, it becomes easier to see why the current Alaska governor wants to increase the cash transfers of the Permanent Fund Dividend to its residents while at the same time make substantial cuts to public services, all with strong support from the Koch brothers.¹³ As the *Washington Post* reported, Republican governor Mike

Dunleavy “campaigned on a promise of restoring PFDs that his predecessor had limited to help pay for government services.” The important fact here is that this is not the result of elites “capturing” an idea that was at the beginning—in the sense of it “coming from below”—a spontaneously legitimate demand, but rather the result of neoliberalism invading our very understanding of what counts as “justice.” Basic income is indeed a “rational” response to inequality, but “rational” in a very specific sense. Its program remains firmly rooted in a neoliberal understanding of social justice. As leftists, our job should be to denaturalize power relations and not always take for granted what passes as “common sense.” In the case of the UBI, this demands we reveal how the proposal came about, and how we might begin to challenge it based on this knowledge.

Notes

1. David Zeglen, “Basic Income as Ideology from Below,” *Lateral* 7, no. 2 (2018). [↗](#)
2. Oskar Lange, “On the Economic Theory of Socialism: Part One,” *The Review of Economic Studies* 4, no. 1 (Oct., 1936): 53-71. [↗](#)
3. Lange, “On the Economic Theory of Socialism,” George D. H. Cole, *The Next Ten Years in British Social and Economic Policy* (London: Macmillan, 1929); Abba P. Lerner, *The Economics of Control: Principles of Welfare Economics* (New York: Macmillan, 1944). [↗](#)
4. Peter Sloman, “Beveridge’s Rival: Juliet Rhys-Williams and the Campaign for Basic Income, 1942–1955,” *Contemporary British History* 30, no. 2 (2016). [↗](#)
5. See: Alfred Marshall, *The Principles of Economics* (London: Macmillan, 1890); Arthur C. Pigou, *The Economics of Welfare* (London: Macmillan, 1920); and Richard H. Tawney, *Equality* (London: George Allen, 1952; first published in 1931). [↗](#)
6. Tawney, *Equality*, 130–131. [↗](#)
7. On the socialist calculation debate and collective decision making see Peter Boettke, ed., *Socialism and the Market: The Socialist Calculation Debate Revisited* (London: Routledge, 2000); Beatrice Cherrier and Jean-Baptiste Fleury, “Economists’ interest in collective decision after World War II: a history,” *Public Choice* 172, no. 1–2 (July 2017): 23–44. [↗](#)
8. Milton Friedman, “Taxation, Poverty and Income Distribution. Tuesday April 8th, 8.30 p.m.,” Mont Pèlerin Society records Hoover Institution Archives, Stanford University, 5.12 Meeting File – Mont Pèlerin, Minutes, 1947. [↗](#)
9. Milton Friedman, “The Distribution of Income and the Welfare Activities of Government”, Lecture, Wabash College, 20 June 1956, online: https://miltonfriedman.hoover.org/friedman_images/Collections/2016c21/MFlecture_06_1956_5.pdf. [↗](#)
10. Milton Friedman, Letter to don Patinkin, November 8, 1948, Box 31, File 31.24, Milton Friedman Papers, Hoover Institution, Stanford University. [↗](#)
11. Milton Friedman, Letter to Martin Bronfenbrenner, July 18, 1947, Box 21, File 21.35, Milton Friedman Papers, Hoover Institution, Stanford University. [↗](#)
12. Milton Friedman, “The Distribution of Income and the Welfare Activities of Government,” 1956. [↗](#)
13. Zachariah Hughes, “Alaska’s governor wants to give more cash to residents—and cut public services,” *The Washington Post*, March 29, 2019. [↗](#)

 Bio

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